DOCKS & HARBORS
FINANCE SUB-COMMITTEE
MEETING MINUTES

Thursday October 15th, 2020

I. Call to Order – Mr. Wostmann called the October 15th, 2020, Finance Sub-Committee meeting to order at 5:00pm via Zoom from the Port Director's Office.

II. Roll Call

The following members were present: Don Etheridge (in person), James Becker (in person), David Larkin, and Bob Wostmann.

Also present were the following: Carl Uchytil – Port Director, Matthew Creswell – Harbormaster, and Teena Larson – Admin Officer,

Absent: Chris Dimond

III. Approval of Agenda
MOTION By MR. ETHERIDGE: TO APPROVE THE AGENDA AS PRESENTED AND ASK UNANIMOUS CONSENT.

Motion passed with no objection.

IV. Participation on Non-Agenda Items – None

V. Approval of Meeting Minutes
Mr. Wostmann requested to change the word attentive to tentative on page 2 of the August 7th minutes, and change reusable to reasonable on page 3 of the September 17th minutes.
Mr. Becker requested to change Bob to Paul on page 5 of the September 17th minutes.

The August 7th and September 17th, 2020 minutes were approved as amended.

VI. Items for Information/Discussion

1. Review Docks and Harbors Budgets

Mr. Uchytil showed the available fund balance summary for Harbors. Harbors ending spendable fund balance for FY20 is $389,812 as of yesterday. This document also shows the FY21 and FY22 budgets approved by the Assembly.

Mr. Wostmann asked if this is the updated numbers from the Harbors revenue and expense estimates from what was sent last week on page 26 in the packet indicating a fund balance of $512,527.

Mr. Uchytil said yes. This is a fund balance and it is subject to accounting requirements through CBJ. The less reserve of $749,500 is real money but we are not able to spend this.

Mr. Wostmann commented that he understands the reserve is the amount the bond underwriter requires us to have in our account.

Mr. Uchytil showed the available fund balance summary for Docks. There is an increase to our fund balance of $309,316 resulting in a $2,588,939 fund balance. This summary also showed the FY21 and FY22 Assembly approved budgets which we will discuss later in the meeting.

Dennis Watson, Juneau, AK
Mr. Watson asked if the Docks budget is carrying the same reserve as the Harbors?

Mr. Uchytil said no.

Mr. Uchytil showed the graph in the packet on page 26. This was put together from the request of this Committee wanting to look at our budget for the previous and current fiscal years, and see if any changes need to be made. The numbers were estimated based on previous years and hindcasting where we think we will be in future years.

Mr. Wostmann asked with looking at FY21 compared to FY20, what was the rational for decreasing FY21 July, August, and September but leave the rest of the months in the year at the same level as FY20.

Ms. Larson said in July, August and September there was still normal tourism so it was decreased from the loss of that revenue. The remainder of the year staff assumes will be similar to the previous year.

Mr. Wostmann asked why the revenue in June of FY19 was so low.

Ms. Larson said it was due to when the revenue was collected.

Mr. Uchytil said the state shared revenue of $250,000 for FY21 is an unknown and it is an estimate. He talked to the Finance Department and asked them to reach out to the state to see when we can expect our share of the raw fish tax this year. Usually we receive this is in October or November. The other revenue is our lease permits. Staff is predicting $4M from all of FY21 revenues.

Mr. Wostmann asked if there was an estimate for the AR Interest and Fines for FY21 under Harbors?

Mr. Uchytil said the interest is a number the Finance Department provides every year and we have not received that yet. He said moving on to the expense side, July expenses are higher because this is when a lot of the interdepartmental fees are charged out. Staff is predicting an expense in FY21 of $3.2M, our debt service is $738,100 and an estimate of $60,000 for bad debt, shows us ending with $4.034M in expenses. At this time, staff is estimating to be in the negative with expense being higher than revenue, but there are a lot of unknowns at this time.

Dennis Watson, Juneau, AK
Mr. Watson asked about the bad debt line in FY19 of $142,185 and then it dropped down to $58,223 in FY20. He wanted to know where the revenue went and if this was a write off? He asked if the $60,000 for FY21 is the bad debt to date, or is that an estimate for all the bad debt for the entire FY21?

Mr. Uchytil said the bad debt is written off by the Finance Department. Staff turns uncollectible accounts over to CBJ Collections. At that point, collections takes over and sends to a third party collector and we hope they recoup some of the bad debt. If we get anything, it is much less than what is owed. The $60,000 bad debt for FY21 is an estimate at this point and we do not know how much it will be until the end of the year.

Mr. Watson asked if the $60,000 was just for FY21 and there is not any carry over from previous fiscal years?

Mr. Wostmann answered that the bad debt is a one time item that shows in each year and does not accumulate from year to year.

Mr. Larkin commented that in the Harbors expense lines for April, May, and June, staff's estimate is based off FY19. Is staff assuming that tourism will be back to normal in those months for FY21?

Ms. Larson said that is correct. The estimated is based off having tourism back.

Mr. Uchytil said page 27 in the packet shows the charter operations revenue comparisons. He went on to page 28 that shows the Docks revenue and expense actuals and estimates. Staff showed different scenarios with no cruise ships and half capacity cruise ships to estimate where we may end up at the end of the year. On the Docks expense, again most of the interdepartmental fees are paid in July so that month the expenses are higher. There are expenses whether we have cruise ships or not. Based on these estimates, even in the best case scenario for the rest of FY21, Docks will still run a deficit. The good news is that Docks has $2.5M in our fund balance that is designed for this type of situation.

Mr. Watson asked if the Finance Department was going to refinance our current debt to a lower interest rate?

Mr. Uchytil said he has not heard this is going to happen.

Mr. Wostmann asked if in FY21, October through March, is when there is no seasonal staff?

Mr. Uchytil said yes, seasonal staff being laid off is the biggest reduction in our budget.

Mr. Wostmann asked if the increase in expense in April is when we bring the seasonal staff back?

Mr. Uchytil said yes. He went on to page 29 in the packet that shows the Port Development Fund which is where the 16B Bond debt is paid. The Bond debt is handled by the Finance Department and the City Manager. The Port Development does have a fund balance and we do not need to use Docks fund balance to pay for these bonds.

Mr. Uchytil asked what direction the Committee would like to provide for staff for the next meeting information?

Mr. Larkin commented that no additional information is needed but to just closely monitor our revenue and expenses.

Mr. Wostmann recommended to meet again in late November or early December to check the status at that time.

2. Commercial Fishing Vessel Fee Forgiveness Consideration

Mr. Uchytil said there has been interest from some commercial fishermen asking for a fee forgiveness program of some sort due to the very poor fishing last year and the previous year. A fisherman pointed out that this regulation provides some sort of benefit to a downtown commercial fisherman to use Statter Harbor but it does not go the other way for a commercial fisherman from Statter Harbor to use downtown. He did not see any commercial fishermen on the zoom call interested in advancing this topic but he can answer any questions related to this topic.

Mr. Becker said he has had a couple of commercial fishermen call him about the ABLF drive down dock but that has been resolved. The other request was from a 72’ long tender and the owner was wanting some forgiveness because the fishing has been extremely poor for the last three seasons. He would like to have his boat in Statter but at the downtown rate. The fisherman said, if the North end of Aurora was available to accommodate larger vessels, he would be there. He is not sure how this would trigger other user groups wanting lower rates as well.

Mr. Creswell said in this particular case, we were able to work with the individual and meet his needs with the fees.

Mr. Wostmann asked with this being resolved, is there still a need to continue this discussion?

Mr. Creswell said he received the first request ever from a Statter Harbor vessel asking for the fish ticket credit for moorage, which is typically used when a downtown vessel goes to Statter Harbor and this is what is referenced in regulation. The request was from a Statter Harbor stall holder commercial fisherman offloading at Taku and he was there for a couple of days. He brought this to staff's attention that he would like the same benefit. Mr. Creswell said he discussed this with the Port Director, and in this individual case, we were able to work with him and offer the benefit This could potentially come up again.

Mr. Wostmann said if this is such a rare occurrence, it might be best to say that the Harbormaster has the authority to be flexible and deal with individual cases rather than changing the ordinance.

Mr. Uchytil said this ordinance was written in 2005 when Statter Harbor was a transient location with no reserved moorage, and the commercial fleet were all downtown. There is currently three commercial fishermen in Statter Harbor that this would apply. Do we need to change the ordinance for a reciprocal agreement to be fair downtown. This was a one off situation and may not be a problem in the future.
Mr. Etheridge asked what it would take to draft up something to change the ordinance?

Mr. Uchytil said staff could craft language for this change.

Mr. Etheridge said that would work best so someone does not have to make this decision every time this comes up.

Mr. Wostmann recommended to bring the draft to the Operation/Planning Committee or the full Board.

Mr. Watson said somebody who has a boat downtown that wants to moor in the valley. In these rare instances currently, they will get the downtown rate because they will moor their boat permanently in Statter Harbor. Is that statement correct?

Mr. Uchytil said that is incorrect. There is a current ordinance that allows commercial fishermen that have reserved moorage downtown to have up to 20 calendar days of free moorage in Statter Harbor if they are engaged in commercial fishing and they sell their product to a CBJ fish processing plant.

Mr. Watson asked why he would pay a lower rate in Statter Harbor if he gets 20 days free?

Mr. Uchytil said a commercial fisherman in Statter Harbor on the 21st day would pay the Statter Harbor rate.

Mr. Watson said on a hardship basis, this would be different, but there is now two rates for the same moorage. He said he is a person with a boat in Statter Harbor and he would be offended by that.

Mr. Uchytil said this has already been in place for 15 years and this is nothing new.

Mr. Watson said he understands the 20 days but not the rate after the 20 days. The going rate should be the going rate. He is understanding from this conversation that at day 21 and onward he pays the same rate as he does downtown.
Mr. Uchytil said that is incorrect. This deals with daily fees and a daily fee is the same for downtown and Statter Harbor.

3. New Statter Harbor For-Hire Fee Rate
Mr. Uchytil said he just got this memo out today and it will be attached to the minutes. He is trying to continue the discussion on Statter Harbor for-hire fee discussion. This committee directed staff to continue looking into the costs of our infrastructure investment for Statter Harbor phase III which is the Statter Harbor for-hire floats and develop a strategy for determining a fair and reasonable fee to charge with this new infrastructure. He went over the attached memo and said he is looking for direction from the committee to move forward.

Mr. Larkin asked if we are looking at 75% coming from head tax, what happens in the next years if we have no head tax coming in.

Mr. Uchytil said we have all the money we need for phase III(a) and (b), come May 28th which is final completion, we will have a useable facility for the charter operators. We still need our ¼ match of approximately $4M for phase III(c) which is the restrooms, the waiting area, curb, gutter, and paving for the new bus parking lot.

Mr. Wostmann said as to trying to determine what is a fair burden to put on the charter fleet to contribute to the cost of this facility, if we look at the $225,000 that was collected in fees last year, is there anyway of attributing actual operational costs to that. How much of that money was actually spent in staff support and maintenance and how much ended up as profit?

Mr. Uchytil said we hire additional seasonal staff to monitor activities because we have upwards of 80,000 passengers coming to Statter Harbor to go on whale watching tours. There are trash and port-a-potties that also contribute as an expense for these activities. This is difficult to have a specific expense amount. One can make assumptions, but there is no exact expense against the collected revenue.

Mr. Wostmann said he would like a defensible expense number to see how much of revenue is getting absorbed by operations. At that time we could change the rates so an additional amount is collected so over a reasonable period of time the charter fleet reimburses the City for half of the match. Half is just a number and that can be changed. He said he does not believe it is fair to make them pay all of it because the rest of the community will also benefit from this facility.

Mr. Uchytil said we could come up with staff numbers, port-a-potties expense and trash.

Mr. Wostmann said the maintenance can also be added.

Mr. Larkin asked if there would be use of these docks on the off season?

Mr. Uchytil said the plan is to use this area for winter liveaboards.

<u>Dennis Watson, Juneau, AK</u>
Mr. Watson suggested with as many unknowns as we have he would leave the rate the same as they are currently paying and run this for a year. Staff can keep track of expenses for this facility and then there would be solid footing for a rate change.

Mr. Wostmann said this was already discussed among the committee members given the likelihood of a reduced season next year that whatever rate we come up with it would be advisable to stick with the current fees for the 2021 season and that will also give certainty to the fleet. This will give staff an entire year to figure out actual cost to operate this new facility and add to that an allocation for capital recovery. This will tell us what the actual fee should be.

Mr. Watson recommended to make sure to have clear communication with rate changes.

Kirby Day, Juneau, AK
Mr. Day asked if any of the passenger-for-hire costs are offset by other users?

Mr. Uchytil said currently, we have a for-hire regulation in place that we have to follow. In this regulation, it requires charter operators to self report daily passengers in a monthly report. There is another fee for the Statter Harbor loading zone. He is hoping that some day we can develop a rate in which the operators do not have to self report on a monthly basis the number of passengers and get rid of the Statter Harbor loading zone fee. There would be one fair and reasonable fee that factors all the activities in to provide a fair rate of return on our infrastructure investment.

Mr. Wostmann recommended talking to the Industry to see what they believe would work best for them. The Committee could then revisit the desire to have one set fee later this fall.

Mr. Day said it would be good to let Industry know what the Board is planning on doing as quickly as possible so they can pass on the additional expense to their customers.

Mr. Wostmann said this recommendation would be passed on to the next Board meeting for the members to enact on.

Mr. Uchytil wanted to know if he is to take this to the Operations meeting next week with the recommendation from this committee that the fees not be changed at Statter Harbor for calendar year 2021.

Mr. Wostmann said yes, and also direct staff to develop a program for collecting data on the actual operational cost of the facility including the docks and the uplands in order to facilitate setting new rates for the following season of 2022.

VI. **Next Meetings –**

A poll will be conducted to determine the best date for the next finance meeting.

VII. **Adjournment –** The Finance Sub-Committee Meeting adjourned at 6:35 pm.